

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

FINANCIAL STATEMENTS AND SUPPLEMENTAL MATERIAL

November 30, 2013 and 2012

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**WEST BATON ROUGE PARISH PUBLIC UTILITY
PORT ALLEN, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

AS OF AND FOR THE YEAR ENDED NOVEMBER 30, 2013

The Management of West Baton Rouge Parish Public Utility (the Utility) has prepared this Discussion and Analysis. The Discussion and Analysis presents a narrative overview and analysis of the Utility's financial activities as of and for the year ended November 30, 2013. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

FINANCIAL HIGHLIGHTS

- * During the current year the assets, liabilities and operations of West Baton Rouge Parish Waters Works District Number 2 were consolidated into the Public Utility. This was done to simplify operations and improve the efficiency of all systems.
- * The Utility's assets exceeded its liabilities at the close of fiscal year 2013 by \$30,680,745 which represents a significant increase from last fiscal year. Of this amount, \$6,355,856 (unrestricted net assets) may be used to meet the Utility's ongoing obligations to its customers.
- * The Utility's operating income increased by \$232,270 and income before contributions and transfers increased by \$243,617 over fiscal year 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts: Management Discussion and Analysis, basic financial statements, and supplementary information. This Discussion and Analysis is intended to serve as an introduction to the Utility's basic financial statements. The basic financial statements present information for the Utility and is designed to make the statements easier to understand. The basic financial statements consists of the Utility's financial statements and notes to the financial statements.

BASIC FINANCIAL STATEMENTS

The basic financial statements present information for the Utility as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Balance Sheets, Statements of Revenues and Expenses, Statements of Changes in Net Assets, and Statements of Cash Flows.

The Balance Sheet presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Utility is improving or deteriorating.

**WEST BATON ROUGE PARISH PUBLIC UTILITY
PORT ALLEN, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

AS OF AND FOR THE YEAR ENDED NOVEMBER 30, 2013

BASIC FINANCIAL STATEMENTS - CONTINUED

The Statement of Revenues and Expenses and the Statement of Changes in Net Assets present information showing how the Utility's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows presents information showing how the Utility's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required.

FINANCIAL ANALYSIS OF THE ENTITY

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 9,225,335	\$ 6,669,509	\$ 3,854,354
Capital assets	<u>25,034,332</u>	<u>20,995,081</u>	<u>17,220,667</u>
Total assets	\$ <u>34,259,667</u>	\$ <u>27,664,590</u>	\$ <u>21,075,021</u>
Other liabilities	\$ 1,945,224	\$ 1,227,665	\$ 1,140,173
Long-term liabilities	<u>1,633,698</u>	<u>1,479,937</u>	<u>1,337,641</u>
Total liabilities	\$ <u>3,578,922</u>	<u>2,707,602</u>	<u>2,477,814</u>
Net assets:			
Invested in capital assets, net of debt	\$ 24,304,789	\$ 20,256,720	16,473,865
Restricted for debt service	20,100	16,402	12,684
Unrestricted	<u>6,355,856</u>	<u>4,683,866</u>	<u>2,110,658</u>
Total net assets	<u>30,680,745</u>	<u>24,956,988</u>	<u>18,597,207</u>
Total liabilities and net assets	\$ <u>34,259,667</u>	\$ <u>27,664,590</u>	\$ <u>21,075,021</u>

**WEST BATON ROUGE PARISH PUBLIC UTILITY
PORT ALLEN, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

AS OF AND FOR THE YEAR ENDED NOVEMBER 30, 2013

FINANCIAL ANALYSIS OF THE ENTITY - CONTINUED

Net assets of the Utility increased by \$5,723,757 from November 30, 2012 to November 30, 2013. Of that amount \$2,653,890 was from the net assets of the Water District merged into the Utility and \$3,069,867 was from the Utilities operations.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 6,874,699	\$ 5,654,062	\$ 6,075,438
Operating expenses	<u>6,452,826</u>	<u>5,464,459</u>	<u>5,906,123</u>
Operating income (loss)	421,873	189,603	169,315
Non-operating revenues (expenses)	<u>(34,780)</u>	<u>(46,127)</u>	<u>(19,250)</u>
Income (Loss) before contributions and transfers	387,093	143,476	150,065
Contributions and transfers	<u>2,682,774</u>	<u>1,585,256</u>	<u>2,388,447</u>
Net increase (decrease) in net assets	\$ <u><u>3,069,867</u></u>	\$ <u><u>1,728,732</u></u>	\$ <u><u>2,538,512</u></u>

CAPITAL ASSETS

As of November 30, 2013, the Utility had \$25,034,332, net of accumulated depreciation, invested in capital assets, including land, right of ways, equipment, and plant and distribution systems. This amount represents a net increase (including additions and deductions) of \$4,039,251 from last year. Of that amount \$1,780,328 was from the capital assets of the Water District merged into the Utility and \$2,258,923 was from current year's acquisitions and operations.

**WEST BATON ROUGE PARISH PUBLIC UTILITY
PORT ALLEN, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
AS OF AND FOR THE YEAR ENDED NOVEMBER 30, 2013

CAPITAL ASSETS - CONTINUED

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Equipment, Plant and Distribution Systems	\$ 40,694,255	\$ 34,261,323	\$ 25,986,706
Less Accumulated Depreciation	<u>15,659,923</u>	<u>13,266,242</u>	<u>8,766,039</u>
Net	\$ <u>25,034,332</u>	\$ <u>20,995,081</u>	\$ <u>17,220,667</u>

This year's significant capital additions included above were:

* Sewer System Improvement	\$ 2,339,198
* Water Distribution System	\$ 558,858
* Gas Distribution System	\$ 222,056
* Vehicles and Equipment	\$ 225,765

The Utilities fixed assets increased by \$3,334,012 not taking into account the original cost of the assets of the merged Water District. Of that increase \$2,682,994 was from capital transfers and contributions of gas, water and sewer improvements. Subdivision developers contributed \$201,684 and the Parish Council transferred \$2,418,090.

CONTACTING THE UTILITY'S MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Utility's finances and to show the Utility's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Pam Keowen, Office Supervisor, West Baton Rouge Parish Public Utility. Ms. Keowen can be reached by phone at (225) 490-8520.



CALVIN L. ROBBINS, JR.

CERTIFIED PUBLIC ACCOUNTANT
(A PROFESSIONAL CORPORATION)

INDEPENDENT AUDITOR'S REPORT

West Baton Rouge Parish Council
Port Allen, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the West Baton Rouge Parish Public Utility, a component unit of the West Baton Rouge Parish Council as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the West Baton Rouge Parish Public Utility's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The West Baton Rouge Parish Public Utility's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion.

West Baton Rouge Parish Council

An audit also include evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activity of the West Baton Rouge Parish Public Utility as of November 30, 2013 and 2012, and the results of its operations and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through iv be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the West Baton Rouge Parish Public Utility's basic financial statements. The accompanying financial information listed as "Supplementary

West Baton Rouge Parish Council

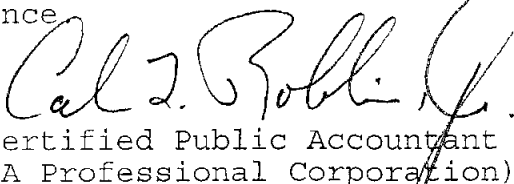
Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the West Baton Rouge Parish Public Utility.

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the Schedules of Operating Statistics, Parish Council Members Compensations, and Schedule of Funding Progress OPEB Plan marked "unaudited, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, except for the Schedules of Operating Statistics, Parish Council Members Compensations, and Schedule of Funding Progress OPEB Plan which are marked "Unaudited", the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The Schedules of Operating Statistics, Parish Council Members Compensations, and Schedule of Funding Progress OPEB Plan which are marked "Unaudited" have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have issued my report dated May 28, 2014, on my consideration of the West Baton Rouge Parish Public Utility's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the West Baton Rouge Parish Public Utility's internal control over financial reporting and compliance.


Certified Public Accountant
(A Professional Corporation)

May 28, 2014
Baton Rouge, Louisiana

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

BALANCE SHEETS

November 2013 and 2012

A S S E T S

2012

2013

Current Assets

Cash:		
Payroll account	\$ 9,158	\$ 8,905
Revenue accounts	1,835,404	1,832,310
Other accounts	4,763,363	2,667,371
On hand	<u>1,184</u>	<u>895</u>
Total Cash	6,609,109	4,509,481
Investments (See Note 4)	948,462	968,644
Accounts receivable (See Note 8)	971,792	660,578
Accrued interest receivable	2,963	4,812
Prepaid expenses	<u>28,486</u>	<u>27,466</u>
Total Current Assets	<u>8,560,812</u>	<u>6,170,981</u>

Restricted Assets - (See Note 3)

Customers' deposits	635,212	473,311
Revenue bond restricted funds	<u>29,311</u>	<u>25,217</u>
Total restricted assets	<u>664,523</u>	<u>498,528</u>

Utility Plant and Equipment
At cost, net of accumulated depreciation (See Note 5)

	25,034,332	20,995,081
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Total Assets

	<u>\$34,259,667</u>	<u>\$27,664,590</u>
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LIABILITIES AND NET ASSETS

2013

2012

Current Liabilities - (Payable from Current Assets)

Accounts payable	\$ 263,530	\$ 255,691
Accrued and withheld taxes and expenses	70,940	56,117
Miscellaneous payables	<u>7,821</u>	<u>7,989</u>
Payable to other systems and the Parish Council	186,214	124,575
Payable to State of Louisiana	<u>781,295</u>	<u>301,167</u>

Total Liabilities (Payable from Current Assets)

	<u>1,309,800</u>	<u>745,539</u>
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Current Liabilities - (Payable from Restricted Assets) (See Note 11)

	<u>535,424</u>	<u>482,126</u>
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Long-Term Liabilities

Sewer Revenue Bond (See Note 19)	720,331	729,546
Accumulated unpaid vacation (See Note 11)	130,111	111,325
OPEB (See note 13)	<u>783,256</u>	<u>639,066</u>

Total Liabilities

	<u>3,578,922</u>	<u>2,707,602</u>
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Net Assets

Invested in capital assets, net of related debt	24,304,789	20,256,720
Restricted for debt service	20,100	16,402
Unrestricted	<u>6,355,856</u>	<u>4,683,866</u>

Total Net Assets

	<u>30,680,745</u>	<u>24,956,988</u>
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Total Liabilities and Net Assets

	<u>\$34,259,667</u>	<u>\$27,664,590</u>
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See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

STATEMENTS OF CHANGES IN
NET ASSETS

For the years ended November 2013 and 2012

	<u>2013</u>	<u>2012</u>
Beginning Balance, December 1	\$ 24,956,988	\$ 18,597,207
Net Assets from Consolidated Water Systems (See Note 20)	2,653,890	4,631,049
Increase (Decrease) in net assets for the year	<u>3,069,867</u>	<u>1,728,732</u>
Balance, November 30	\$ <u>30,680,745</u>	\$ <u>24,956,988</u>

Net Assets at November 2013 and 2012
consists of the following:

Invested in capital assets, net of related debt	\$ 24,304,789	\$ 20,256,720
Restricted for debt service	20,100	16,402
Unrestricted	<u>6,355,856</u>	<u>4,683,866</u>
Balance, November 30	\$ <u>30,680,745</u>	\$ <u>24,956,988</u>

See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

STATEMENTS OF REVENUES AND EXPENSES

For the years ended November 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Operating Revenues</u>		
Gas sales	\$ 3,442,880	\$ 3,025,603
Water sales	2,467,635	1,815,682
Penalties	72,848	41,932
Extension and connection charges	188,053	102,979
Sewer income	572,934	564,257
Other income (See Note 9)	126,980	100,527
Bad debt recovery	<u>3,369</u>	<u>3,082</u>
Total Operating Revenues	<u>6,874,699</u>	<u>5,654,062</u>
<u>Operating Expenses</u>		
Gas purchases	1,945,026	1,657,046
Water purchases	4,308	9,605
Salaries and wages	1,586,430	1,267,695
Depreciation	975,294	829,927
Meter and system repairs and supplies	153,575	105,314
Sewer expense	76,823	86,525
Bad debts	6,763	7,857
Cathodic protection	6,897	7,433
Collection expense	700	1,200
Equipment rental and repair	46,700	12,851
Equipment service contracts	48,475	44,137
Operator qualification	5,940	5,150
Insurance - employee benefits	423,227	363,087
Insurance and surety bonds	91,866	81,080
Miscellaneous	134,625	104,563
Office supplies and postage	58,584	50,600
Payroll taxes	19,564	15,430
Professional services	45,027	59,550
Telephone	3,263	3,302
Truck and travel	70,861	82,637
Utilities	388,690	321,310
Retirement	215,251	199,923
Other post-employment benefits	144,190	147,737
Unemployment compensation	<u>747</u>	<u>500</u>
Total Operating Expenses	<u>6,452,826</u>	<u>5,464,459</u>
Operating Income (Loss)	421,873	189,603

(CONTINUED)

See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

STATEMENTS OF REVENUES AND EXPENSES - (Cont'd)

For the years ended November 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Income (Loss) from the preceding page	<u>- 421,873</u>	<u>- 189,603</u>
<u>Nonoperating Revenues</u>		
Interest on investments and savings	14,533	31,229
Gain (Loss) on investments	<u>(9,838)</u>	<u>4,153</u>
Total Nonoperating Revenues	<u>- 4,695</u>	<u>- 35,382</u>
<u>Nonoperating Expenses</u>		
Interest expense	32,125	53,300
Investment fees	7,350	9,274
Amortization of Debt Insurance Expense	<u>-0-</u>	<u>18,935</u>
Total Nonoperating Expense	<u>39,475</u>	<u>81,509</u>
Income (Loss) before contributions and transfers	387,093	143,476
<u>Capital Contributions and Transfers</u>	<u>2,682,774</u>	<u>1,585,256</u>
Increase (Decrease) in Net Assets	\$ <u>3,069,867</u>	\$ <u>1,728,732</u>

See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended November 2013 and 2012

Increase (Decrease) in Cash and Cash Equivalents

	<u>2013</u>	<u>2012</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from customers	\$ 6,711,665	\$ 5,699,640
Receipts from others	36,995	46,616
Payments to suppliers and providers	(3,774,291)	(3,248,560)
Payment to employees	<u>(1,567,644)</u>	<u>(1,226,817)</u>
Net cash provided(used) by operating activities	<u>- 1,406,725</u>	<u>- 1,270,879</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(556,873)	(405,707)
Long-Term Debt Issued	-0-	-0-
Long-Term Debt Repaid	(8,818)	(878,514)
Interest Paid	<u>(32,125)</u>	<u>(74,939)</u>
Net cash used by capital and financing activities	<u>(597,816)</u>	<u>(1,359,160)</u>
Net cash before cash flows before investing activities	808,909	(88,281)

(CONTINUED)

See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

STATEMENTS OF CASH FLOWS - (Cont'd)

For the years ended November 2013 and 2012

Increase (Decrease) in Cash and Cash Equivalents

	<u>2013</u>	<u>2012</u>
Net cash before cash flows before investing activities - from the preceding page	\$ <u>808,909</u>	\$ <u>(88,281)</u>
<u>Cash Flows from Investing Activities:</u>		
Investment Expense	(7,350)	(9,274)
Interest and dividends on investments	16,382	32,777
Purchase of investment securities	(248,916)	(191,635)
Sale of investment securities	<u>259,710</u>	<u>182,285</u>
Net cash provided by investing activities	<u>19,826</u>	<u>14,153</u>
Net (decrease)increase in cash and cash equivalents	828,735	(74,128)
Cash and cash equivalents at the beginning of the year	<u>6,444,897</u>	<u>5,082,137</u>
Cash and cash equivalents at the end of the year	\$ <u>7,273,632</u>	\$ <u>5,008,009</u>

Cash Flow Disclosures

Noncash Investing, Capital, and Financing Activities

During 2013, developers contributed \$201,684 in gas and water system improvements. The Parish Council contributed water and sewer system improvements costing \$2,481,090.

During 2012, developers contributed \$28,880 in gas and water system improvements. The Parish Council contributed sewer system improvements costing \$1,556,376.

<u>Interest Paid</u>	<u>2013</u>	<u>2012</u>
Interest charged to expense	\$ <u>32,125</u>	\$ <u>74,939</u>
Interest capitalized	\$ <u>-0-</u>	\$ <u>-0-</u>

See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended November 2013 and 2012

Increase (Decrease) in Cash and Cash Equivalents

	<u>2013</u>	<u>2012</u>
<u>Reconciliation of Operating Income to</u>		
<u>Net Cash Provided by Operating</u>		
<u>Activities:</u>		
Operating income (loss)	\$ <u>421,873</u>	\$ <u>189,603</u>
Adjustments to reconcile operating		
income to net cash provided by		
operating activities:		
Depreciation	975,294	829,927
Basis & Salvage values expensed	4,979	18,893
(Increase) Decrease in assets:		
Accounts receivable	(138,949)	95,708
Prepaid expenses	10,849	932
Increase (Decrease) in liabilities:		
Accounts payable and		
accrued expenses	8,194	(41,215)
Miscellaneous payables	(168)	1,145
Payable to other systems	(46,255)	47,179
Accumulated unpaid vacation	18,786	3,377
Customer deposits	7,931	(22,407)
OPEB	<u>144,190</u>	<u>147,737</u>
Total adjustments	<u>984,851</u>	<u>1,081,276</u>
Net cash provided (used)		
by operating		
activities	\$ <u>1,406,724</u>	\$ <u>1,270,879</u>

See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS

November 2013 and 2012

INTRODUCTION

West Baton Rouge Parish Public Utility operates a water system, natural gas system, and sewer system serving residences and businesses in parts of West Baton Rouge Parish. The Public Utility extends credit to its customers. Customers are required to make a cash deposit or provide other forms of collateral before service begins.

CONSOLIDATION OF WATER SYSTEMS

During the years ended November 30, 2013 and 2012 the assets, liabilities and operations of several Waters Works Districts were consolidated into the Public Utility. This was done to simplify operations and improve the efficiency of all systems.

DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through May 28, 2014, the date on which the financial statements were available to be issued.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the West Baton Rouge Parish Public Utility have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The preparation of financial statements in conformity with GAAP requires management to make assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards. The Financial Accounting Standards Board (FASB) is the accepted standard setting body for establishing accounting and financial reporting standards for entities other than governmental units. The Utility applies all GASB pronouncements, including GASB Statement Number 62, "Codification of Pre-November 30, 1989 FASB Pronouncements" which is particularly relevant to the Utility.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

Reporting Entity

GASB Codification Section 2100 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Statement No. 61, the West Baton Rouge Parish Public Utility includes all funds, account groups, et cetera, that are within the oversight responsibility of the Public Utility. Based on the criteria set forth in GASB Statement No. 61, the Public Utility is a component unit of the West Baton Rouge Parish Council. The basic criteria is the Council's ability to exercise oversight responsibility.

Other criteria used to determine if a governmental unit is a component unit are financial interdependency, designation of management, the ability to significantly influence operations and accountability for fiscal matters. Based on all the criteria set forth, the West Baton Rouge Parish Public Utility has no component units.

Proprietary Fund

The West Baton Rouge Parish Public Utility is operated as an proprietary (enterprise) fund of the West Baton Rouge Parish Council, and as such employs the accrual method of accounting. Revenues are recognized when they are earned and expenses are recognized when incurred. Revenue from utility services provided but not yet billed to customers are recognized in the period in which the services were provided.

Proprietary (enterprise) funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

Cash and Investments

Cash deposited with financial institutions is carried at cost which approximates market.

Investments are stated at fair market value.

Utility Plant and Equipment

Utility plant and equipment are recorded at original cost, including interest capitalized during the construction period. Donated fixed assets are recorded at fair market value when donated. Depreciation is recorded on all assets using the straight-line method over the estimated useful lives of the assets. The service lives by type of asset are as follows:

Gas system	20-50 years
Water system	30-50 years
Sewer System	50 years
Utility equipment	5-10 years
Office equipment	5-10 years
Vehicles	4-6 years
Buildings	20 years

Consolidation of Water Systems

During the year ended November 30, 2012 the assets, liabilities and operations of West Baton Rouge Parish Waters Works District Numbers 1 and 4 were consolidated into the Public Utility. GASB Statement Number 69, "Government Combinations and Disposal of Government Operations" (GASB 69) was implemented early to account for this consolidation. In 2013, Water Works District Number 2 was consolidated into the Public Utility in accordance with GASB 69. These consolidations were classified as mergers under the terms of the Statement. See Note 20 for additional information.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

Capitalization of Interest

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized in 2013 or 2012.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, West Baton Rouge Parish Public Utility considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. The Public Utility does not consider its investment in FNMA and FMAC securities or any funds held by its brokers as cash equivalents (See Note 4).

Cash and cash equivalents are shown under the following captions on the balance sheet:

	<u>2013</u>	<u>2012</u>
Cash	\$ 6,609,109	\$ 4,509,481
Restricted assets	<u>664,523</u>	<u>498,528</u>
Total	\$ <u>7,273,632</u>	\$ <u>5,008,009</u>

Beginning cash as of December 1, 2012 was increased from the ending balance at November 30, 2012 by \$1,436,888. This was the cash from the Water District that was combined into the Public Utility. See Note 20 for a discussion of that transaction.

NOTE 2. CASH AND INVESTMENTS

Cash is shown on the balance sheet under various captions including restricted assets. The carrying value of cash on deposit with financial institutions on November 30, 2013 was \$7,272,448. All bank deposits were in interest bearing accounts.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 2. CASH AND INVESTMENTS - (Cont'd)

The bank balances of these deposits totaled \$7,327,553 on November 30, 2013. At November 30, 2013 the Utility's bank balances were secured by \$250,000 of FDIC insurance, and \$8,037,517 of collateral held by the pledging financial institution agent in the name of the pledging financial institutions and pledged to the Utility (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

Under state law, the West Baton Rouge Parish Public Utility may deposit funds in demand deposits, money market accounts, or time deposits with state banks organized under the laws of Louisiana and national banks having their principal office in the state of Louisiana. Funds may also be invested in direct United States Treasury obligations and obligations guaranteed by federal agencies provided such obligations are backed by the full faith and credit of the United States of America. Investment is also permitted in obligations issued or guaranteed by U.S. government instrumentalities, which are federally sponsored. Statutes also allow the Utility to invest in any investment as stipulated in R.S. 33:2955.

The Utility may invest such monies it has in any general fund or special funds which the management of the Utility and Parish Council, in their discretion, may determine to be available for investment and which are not specifically exempted or prohibited from investment under existing state or federal statutes.

NOTE 3. RESTRICTED ASSETS

Restricted assets consist of the checking accounts used to hold customers' deposits and the funds required to be maintained under the terms of the Sewer Revenue Bond agreement.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 3. RESTRICTED ASSETS - Cont'd

The customers' deposits checking account is used to hold deposits made by customers to secure service from the West Baton Rouge Parish Public Utility. These funds can only be used to repay deposits to customers upon their termination of service.

The revenue bond restricted funds are accounts required to be maintained under the terms of the bond indenture of the outstanding Sewer Revenue Bonds Series 2010. They are as follows:

- A. The Revenue Bond Sinking Fund is to be used for paying principal and interest due on the Sewer Revenue Bond. Monthly deposits are required to be made into the account sufficient to pay principal and interest when due. Balances at November 2013 and 2012 were \$11,228 and \$11,228, respectively.
- B. The Revenue Bond Reserve Fund is to be used solely for the purpose of paying the principal and interest on bonds payable from the Revenue Bond Sinking Fund which would otherwise be in default. Balances at November 2013 and 2012 were \$9,042 and \$6,994, respectively. As of November 2013 and 2012, this fund was adequately funded.
- C. The Depreciation and Contingency Fund is to be used to pay for any unforeseen repairs to the system. Balances at November 2013 and 2012 were \$9,041 and \$6,995, respectively. As of November 2013 and 2012, this was adequately funded.

These three accounts are shown on the balance sheet as Revenue Bond Restricted Funds. The three accounts totaled \$29,311 and \$25,217 at November 2013 and 2012, respectively.

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 4. INVESTMENTS

At November 30, the Public Utility had investments as follows:

<u>2013:</u>	<u>Fair Value Carrying Amount</u>	<u>Cost</u>
Various U.S. Treasury obligations, .875% to 4.5%, due between 1/14 and 5/23	\$ 485,251	\$ 474,862
Various GNMA & FHLMC pools, 1.15% to 7%, due between 9/16 and 6/34	26,757	25,633
Various FNMA and FHLMC notes, .875% to 6%, due between 2/14 and 9/34	382,404	381,900
Cash funds	<u>54,050</u>	<u>54,050</u>
Total	\$ <u>948,462</u>	\$ <u>936,445</u>

CREDIT RISK AND CUSTODIAL RISK

Investments are limited by state law and the Public Utility investment policy. The investments are held by the Public Utility's broker in its street name.

INTEREST RATE RISK

The Public Utility investment policy does not address interest rate risk specifically.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 4. INVESTMENTS - (Cont'd)

<u>2012:</u>	<u>Fair Value Carrying Amount</u>	<u>Cost</u>
Various U.S. Treasury obligations, .75% to 4.5%, due between 4/12 and 11/20	\$ 609,914	\$ 598,734
Various GNMA & FHLMC pools, 5% to 6.5%, due between 9/27 and 6/34	25,340	23,744
Various FNMA and FHLMC notes, 1.25% to 7%, due between 2/14 and 9/34	235,688	230,222
Cash funds	<u>97,702</u>	<u>97,702</u>
Total	\$ <u>968,644</u>	\$ <u>950,402</u>

NOTE 5. UTILITY PLANT AND EQUIPMENT

Utility Plant and Equipment consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
As of November 30, 2013:			
Gas distribution system	\$ 4,774,680	\$2,600,651	\$ 2,174,029
Water distribution system	18,705,202	9,181,434	9,523,768
Sewer system	14,824,653	2,382,242	12,442,411
Utility and sewer equipment	1,070,549	858,067	212,482
Office equipment	299,838	207,099	92,739

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 5. UTILITY PLANT AND EQUIPMENT - (Cont'd)

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Vehicles	392,988	220,594	172,394
Buildings	404,495	209,836	194,659
Land	221,850	-0-	221,850
Construction in progress	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Totals	<u>\$40,694,255</u>	<u>\$15,659,923</u>	<u>\$25,034,332</u>

As of November 30, 2012:

Gas distribution system	\$ 4,552,624	\$2,512,907	\$ 2,039,717
Water distribution system	15,144,269	7,394,369	7,749,900
Sewer system	12,485,455	2,009,911	10,475,544
Utility and sewer equipment	1,050,531	821,999	228,532
Office equipment	222,673	170,298	52,375
Vehicles	371,741	249,595	122,146
Buildings	117,390	107,163	10,227
Land	221,850	-0-	221,850
Construction in progress	<u>94,790</u>	<u>-0-</u>	<u>94,790</u>
Totals	<u>\$34,261,323</u>	<u>\$13,266,242</u>	<u>\$20,995,081</u>

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 5. UTILITY PLANT AND EQUIPMENT - (Cont'd)

Cost includes sewer, gas, and water systems donated to the Parish valued at fair market value, which approximated original cost, on the date donated.

NOTE 6. PENSION PLAN

Substantially all employees of the West Baton Rouge Parish Public Utility are members of the Parochial Employees Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The system is composed of two distinct plans, Plan A and Plan B, with separate assets, and separate benefit provisions. All employees of the Utility are members of Plan A.

All permanent employees working at least 28 hours per week and who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only prior to January 1, 1980, the benefit is equal to one percent of final-average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1980, plus 3 percent of final-average salary for each year of service credited after the revision date. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and who do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 6. PENSION PLAN - (Cont'd)

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

Funding Policy. Under plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary and the West Baton Rouge Parish Public Utility is required to contribute at an actuarially determined rate. The current rate is 16.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the West Baton Rouge Parish Public Utility are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The West Baton Rouge Parish Public Utility contributions to the System under Plan A for the years ending November 30, 2013, 2012, 2011, 2010, and 2009, were \$215,251, \$199,923, \$188,545, \$199,397, and \$154,630, respectively, equal to the required contributions for each year.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 7. WEST BATON ROUGE PARISH COUNCIL

Garbage Billing Fees - The West Baton Rouge Public Utility bills and collects Garbage Fees for the West Baton Rouge Parish Council. The Utility is paid \$.33 per customer billing for providing this service. The Utility earned \$20,755 for the year ended November 30, 2013 and \$10,477 for the year end November 30, 2012 for providing this service. In addition to the per customer fee, the Council paid the Utility \$9,500 in the year ended November 30, 2012 to help defray the costs associated with the collection of garbage and trash. The Utility owed the Council \$121,450 for garbage fees collected and other amounts collected but not remitted to the Council at November 30, 2013. The amount owed to the Council at November 30, 2012 was \$71,049.

NOTE 8. ACCOUNTS RECEIVABLE

Accounts receivable at November 2013 and 2012 was made up of the following:

	<u>2013</u>	<u>2012</u>
Customer accounts:		
Billed	\$ 728,801	\$ 466,683
Unbilled	228,244	186,339
Receivable from other entities	15,773	10,532
Receivable from vendors and others	<u>1,974</u>	<u>24</u>
Total	974,792	663,578
Less allowance for doubtful accounts	<u>(3,000)</u>	<u>(3,000)</u>
Net	\$ <u>971,792</u>	\$ <u>660,578</u>

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 9. OTHER INCOME

Other income as of November 2013 and 2012
was composed of the following:

	<u>2013</u>	<u>2012</u>
Service charges	\$ 47,490	\$ 44,443
Charges to other entities	15,273	11,038
Garbage billing and service fees	20,755	10,477
Lease income	10,950	10,739
Miscellaneous income	13,169	27,723
FEMA Reimbursement	18,847	-0-
Gain (Loss) on sale of equipment	<u>496</u>	<u>(3,893)</u>
Total	\$ <u>126,980</u>	\$ <u>100,527</u>

NOTE 10. ACCUMULATED UNPAID VACATION

The Utility has the following policy relating to
vacation:

One week of vacation after six months of service.

Two weeks of vacation after one to five years of
service.

Three weeks of vacation after five to fifteen years
of service.

Four weeks of vacation after fifteen to twenty
years of service.

Five weeks of vacation after twenty or more years
of service.

Each employee accrues annual leave on January 1 of
each year for that year. Employees can accumulate up to
360 hours of unused vacation.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 10. ACCUMULATED UNPAID VACATION - (Cont'd)

During 2013, employees earned approximately \$95,681 of vacation pay and used approximately \$76,895. As of November 2013 and 2012, employees of the Utility had accumulated and vested \$130,111 and \$111,325, respectively, of vacation benefits.

The Utility's sick leave policy does not provide for the vesting of sick leave; therefore, there is no provision for accumulated sick leave on these statements.

NOTE 11. CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS

The following current liabilities were payable from restricted assets as of November 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Customers' deposits	\$ 626,212	\$ 473,311
Revenue bond current maturities	<u>9,212</u>	<u>8,815</u>
Total	\$ <u>635,424</u>	\$ <u>482,126</u>

NOTE 12. PAYABLE TO STATE OF LOUISIANA

During the year ended November 30, 1997, the Public Utility was required to relocate some of its gas lines by the Louisiana Department of Transportation. The gas lines were located on Highway Department right-of-ways for roads that were being widened. The Department of Transportation agreed to loan the Public Utility funds to finance the relocation. At November 30, 1997, \$63,791 had been advanced to the Public Utility to assist in paying costs incurred to that date on the relocation project. During the years ended November 30, 1999 and 1998,

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 12. PAYABLE TO STATE OF LOUISIANA - (Cont'd)

\$15,126 and \$108,783 were advanced to cover costs incurred during those years. The total amount payable on this loan was \$187,700 at November 2013 and 2012.

During the year ended November 30, 1990, the Public Utility was required by the Louisiana Department of Transportation to relocate some gas and water lines located on highway right-of-ways, to allow for widening of those highways. The Public Utility received \$197,900 from the Louisiana Department of Transportation (DOTD) during the year ended November 30, 1992. Of this amount, \$113,467 was a loan from DOTD and is shown as a current liability on the Balance Sheet and \$84,433 was a grant from DOTD. The Public Utility had not repaid the loan as of November 30, 2012.

During the year ended November 30, 2013 the assets and liabilities of Water Works District Number 2 were consolidated into the Public Utility. This consolidation is discussed in Note 20 of the financial statements. The liabilities of the Water District included a liability of \$480,128. The liability was for relocation of water lines in 1999. That amount was unpaid at November 30, 2013.

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

All classified and unclassified employees of the West Baton Rouge Parish Public Utility at their option participate in the employee's group life and health insurance programs. The insurance policies are quoted and awarded on a yearly basis.

PLAN DESCRIPTION

The West Baton Rouge Parish Public Utility's OPEB plan is a single-employer defined benefit plan. The OPEB plan does not issue a stand-alone financial report. The Parish currently offers a HDHP and a PPO plan to all full-time employees as well as retired and retirement

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS - Cont'd

eligible employees. All retirees age 65 and older that have Part A and Part B of Medicare must go on the Humana 65 Plan. Additionally, a HSA is also offered to all participants in the HDHP. The Parish pays 100% of the premiums for all full-time employees and retirees and retirement eligible employees. The Public Utility also contributes to the participants that utilize the HSA as follows:

Family	\$800 Annually
Two-party	\$800 Annually
Single	\$400 Annually

Additionally the West Baton Rouge Parish Public Utility pays 50% for a life insurance policy for all full-time and retired employees who wish to participate.

FUNDING POLICY

Effective with the Fiscal Year beginning December 1, 2010 the Utility implemented Government Accounting Standards Board Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB 45).

Currently the employees and retirees do not contribute to the premiums for the health insurance. This is established after the yearly quotes have been awarded and or addressed in the annual operating budget and may be amended in subsequent years. For the years ended November 2013 and 2012, the plan was funded by the West Baton Rouge Parish Public Utility 100% for the health insurance premiums and 50% for life insurance premiums. Additionally, the Parish does contribute to the HSA of all HDHP participants that choose to participate based on the schedule under the plan description.

The employer contribution to the OPEB plan for the years ended November 2013, 2012, 2011 and 2010 totaled \$92,210, \$88,663, \$77,116 and \$44,376, respectively. The only contributions required by the retirees would be for their 50% match on the life insurance.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS - Cont'd

ANNUAL OPEB COST AND NET OPEB OBLIGATIONS

The West Baton Rouge Parish Public Utility's annual OPEB cost (expense) was calculated based on the annual required contributions of the employer (ARC) an amount actuarially determined in accordance with the GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over the actuarial period. Since the year ended November 30, 2009 was the initial year of implementation for GASB 45. The ARC was calculated as part of the January 1, 2012 actuarial valuation performed by an outside consultant. The following table shows the government's annual OPEB cost for the years ended November 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Annual required contribution (ARC) \$	233,000	\$ 233,000
Interest on net OPEB Obligation	23,200	23,200
ARC adjustment	<u>(19,800)</u>	<u>(19,800)</u>
Annual OPEB cost (expense)	236,400	236,400
Less contributions made	<u>(92,210)</u>	<u>(88,663)</u>
Increase in net OPEB obligation	144,190	147,737
Net OPEB obligation, first of year	<u>639,066</u>	<u>491,329</u>
Net OPEB obligation, end of year \$	<u>783,256</u>	\$ <u>639,066</u>

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS - Cont'd

Trend information for the OPEB plan is as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contributed</u>	<u>Increase Net OPEB Obligation</u>
2013	\$ 233,000	40%	\$ 144,190
2012	233,000	38%	147,737
2011	220,000	35%	142,882
2010	220,000	20%	175,633
2009	220,000	21%	172,814

Funding Status and Funding Progress

As of January 1, 2012 the most current actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$3,099,000 with no valued assets, resulting in an unfunded accrued liability of the same amount. The actuarial valuation of the plan is ongoing and is based on assumptions and probability of events far into the future. Examples could be future events such as employment, mortality and cost of all employee benefits (health insurance, etc.). The determination of the funding status of the plan is ongoing and the annual required contributions by the employer are subject to continual revision and the results of the actual figures are compared with past expectations to meet future estimates.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS - Cont'd

The projected unit cost was used for the January 1, 2012 actuarial valuation. Because the government currently finances OPEB using a pay-as-you-go approach, the discount rate is based on the historical and expected investment that are expected to be used in financing the payment of benefits. The actuarial assumptions included a 4.5% investment rate of return compounded annually. Life expectations were based on the RP 2000 Mortality Tables applied on a gender specific basis. Termination rates for withdrawal other than death and retirement were developed from the Louisiana Parochial Employees' Retirement System Actuarial Valuation as of December 31, 2011. The annual termination probability is dependent on an employee's years of service and assumes Public Utility's employees are part of "Plan A".

The Plan assumes that 100% of all employees and their dependents who are eligible for retiree benefits participate in the post-retirement benefits plan. Future pre 65 retirees and their dependents are assumed to continue to enroll in their current plans and choose the current coverage level upon retirement. If employees are currently not enrolled, it is assumed that 90% of future pre Medicare retirees will enroll in the Humana HDHP Plan, and 10% will enroll in the BlueCross BlueShield Plan. Also, 67% of employees that are not currently enrolled are assumed to be married at retirement with males being three years older than females. Employees that are currently enrolled are assumed to choose the same health coverage level upon retirement.

The amortization method for the plan is a level percentage of payroll with thirty year open amortization. The expected long-term payroll growth rate was estimated at 3.5% per annum salary increase. The remaining amortization period at January 1, 2012 was 30 years.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS - Cont'd

COBRA Benefits

Under the Consolidated Budget Reconciliation Act (COBRA), the Public Utility provides health insurance benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premiums are to be paid in full by the insured. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the Public Utility under this program. There were no participants in the program as of November 2013 and 2012.

NOTE 14. RELATED PARTY TRANSACTIONS

In addition to the transactions discussed in Note 8 to these financial statements the West Baton Rouge Parish Public Utility had dealings with Water Works District Number 2 and collected sewer user fees for two municipalities in West Baton Rouge Parish.

At November 30, 2012, the Public Utility owed Water Works District Number 2 \$25,390 and the Water Works District Number 2 owed the Public Utility \$1,488. Both amount were paid subsequent to November 30, 2012, and in 2013 Water Works District Number 2 was consolidated into the Public Utility.

The Public Utility collected sewer user fees for the Town of Addis in 2013 and 2012. At November 30, 2013 and 2012, the Public Utility owed the Town of Addis, \$45,972 and \$28,135, respectively.

In 2013 the Public Utility began collecting sewer user fees for the Town of Brusly. The Public Utility owed the Town of Brusly \$18,792 at November 30, 2013.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 15. MAJOR CUSTOMERS AND CREDIT CONCENTRATIONS

Water sales to Placid Refining Company accounted for 16.6% of water sales for the year ended November 30, 2013 and 35.5% for the year ended November 30, 2012. The receivable from Placid was approximately 3.1% of total accounts receivable at November 30, 2013 and 4.2% of total accounts receivable at November 30, 2012.

Gas sales to a customer in the highway construction business accounted for 5.2% of gas sales for the year ended November 30, 2013 and 6.2% for the year ended November 30, 2012. The receivable from this customer was approximately 3.6% of total accounts receivable at November 30, 2013 and 5.9% of the accounts receivable balance at November 30, 2012.

Gas sales to a second customer in the highway construction business accounted for 3.6% of gas sales for the year ended November 30, 2013 and 4.3% for the year ended November 30, 2012. The receivable from this customer was approximately 2.9% of total receivables at November 30, 2013, and 6.7% of total receivables at November 30, 2012.

Gas sales to a customer in the shipyard business accounted for 7.9% of gas sales for the year ended November 30, 2013 and 8.8% for the year ended November 30, 2012. The receivable from this customer was approximately 4.5% of total accounts receivable as of November 30, 2013 and 10.1% as of November 30, 2012.

Water sales to a customer in the chemical industry accounted for approximately 4.0% of water sales for the year ended November 30, 2013 and 5.2% the year ended November 30, 2012. The receivable from this customer was approximately 1.4% of total accounts receivable as of November 30, 2013. The receivable from this customer at November 30, 2012 was 1.2% of receivables.

Gas sales to a customer in the highway construction business amounted to 6.4% of gas sales for the year ended November 30, 2013 and 7.4% for the year ended November 30, 2012. The receivable from this customer was 2.7% of total accounts receivable at November 30, 2013 and 2% for the year ended November 30, 2012.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 15. MAJOR CUSTOMERS AND CREDIT CONCENTRATIONS - (Cont'd)

There is also a concentration of credit risk with respect to accounts receivable associated with the limited geographic area served by the West Baton Rouge Parish Public Utility.

NOTE 16. DEFERRED COMPENSATION

Certain employees of West Baton Rouge Parish Public Utility participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397. The West Baton Rouge Parish Public Utility does not contribute to the plan.

NOTE 17. CAPITAL CONTRIBUTIONS AND TRANSFERS

Capital contributions and transfers for the year ended November 30 are as follows:

	<u>2013</u>	<u>2012</u>
From the Parish Council:		
Sewer improvements	\$ 2,320,865	\$ 1,556,377
Equipment	-0-	-0-
Water system		
Improvements	160,225	-0-
Cash	-0-	-0-
From developers and industrial customers:		
Gas, water & sewer improvements	<u>201,684</u>	<u>28,879</u>
Total	\$ <u>2,682,774</u>	\$ <u>1,585,256</u>

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 18. PENDING LITIGATION

There was no pending litigation at November 30, 2013.

NOTE 19. SEWER REVENUE BOND

During 2008 the West Baton Rouge Parish Council issued "Sewer System Revenue Bond, Series 2010". The bond was purchased by the U.S. Department of Agriculture. The total proceeds of the bond issue of \$765,000 were used by the Parish Council to make sewer system improvements. During 2010 the Sewer System was completed and the Parish Council transferred the completed improvements to the Public Utility.

The Sewer Revenue Bond payable at November 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
\$765,000 Sewer Revenue Bond Series 2010 dated June, 2010, interest at 4.375%. Monthly payments of \$3,412. Principal and interest to be paid from the income derived from providing sewer service.	\$ 729,543	\$ 738,361
Less current portion	<u>9,212</u>	<u>8,815</u>
Balance	\$ <u>720,331</u>	\$ <u>729,546</u>

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 19. SEWER REVENUE BOND - Cont'd

The annual requirements to amortize the revenue bond payable as of November 30, 2013, are as follows:

<u>Year Ending</u> <u>November 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	9,212	31,731	40,943
2015	9,623	31,320	40,943
2016	9,965	30,978	40,943
2017	10,497	30,446	40,943
2018	10,966	29,977	40,943
2019-2048	<u>679,280</u>	<u>534,729</u>	<u>1,214,009</u>
Totals	\$ <u>729,543</u>	\$ <u>689,181</u>	\$ <u>1,418,724</u>

NOTE 20. CONSOLIDATION OF WATER SYSTEMS

During the year ended November 30, 2012 the assets and operations of West Baton Rouge Parish Waters Works District Numbers 1 and Number 4 were consolidated into the Public Utility. GASB Statement Number 69, "Government Combinations and Disposals of Government Operations" (GASB 69) was implemented early to account for this consolidation. The consolidation was classified as a merger under the terms of the Statement.

GASB Statement Number 69, defines the merger date for this transaction as December 1, 2011, the beginning date of the Public Utility's fiscal year, regardless of the actual date of the merger. The actual dates of the mergers were February 1, 2012 for Water Works District Number 1 and July 1, 2012 for District Number 4.

GASB Statement Number 69 goes on to explain, "Continuing governments should recognize and measure the combined assets, deferred outflows of resources, liabilities, and deferred inflows of resources, results of operations and cash flows, if applicable, of the merging entities for the reporting period in which the combination occurs as though the entities had been combined at the beginning of the continuing governments reporting period."

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 20. CONSOLIDATION OF WATER SYSTEMS - (Cont'd)

The GASB Statement states, "The continuing government should measure the assets, deferred outflows of resources, liabilities, or deferred inflows of resources as of the merger date at the carrying values as reported in the separate financial statements of the merging entities."

The following shows the assets and liabilities of Water Works District Number 1 (WWD #1) and Water Works District Number 4 (WWD #4) as of December 1, 2011 at their carrying values on that date.

	<u>WWD #1</u>	<u>WWD #4</u>
Current and other assets	\$ 657,271	\$ 2,335,625
Capital Assets	<u>451,685</u>	<u>2,180,587</u>
Total Assets	\$ <u>1,108,956</u>	\$ <u>4,516,212</u>
Other Liabilities	\$ 58,664	\$ 65,382
Long-Term Liabilities	<u>-0-</u>	<u>870,073</u>
Total Liabilities	58,664	935,455
Total Net Assets	<u>1,050,292</u>	<u>3,580,757</u>
Total Liabilities and Net Assets	\$ <u>1,108,956</u>	\$ <u>4,516,212</u>

The current and other assets above includes cash totaling \$2,218,712.

Water Works District Number 4 had a note payable of \$870,073. That note was the initial financing used to build the water system. The note was paid off in June, 2012.

Capital Assets had a cost basis of \$6,311,643 with accumulated depreciation of \$3,679,371 resulting in a book value of \$2,632,272.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 2013 and 2012

NOTE 20. CONSOLIDATION OF WATER SYSTEMS - (Cont'd)

During the year ended November 30, 2013 the assets and operations of West Baton Rouge Parish Waters Works District Number 2 were consolidated into the Public Utility in accordance GASB 69 as discussed above. The consolidation was classified as a merger under the terms of the Statement. GASB 69, defines the merger date for this transaction as December 1, 2012, the beginning date of the Public Utility's fiscal year, regardless of the actual date of the merger. The actual date of the merger was July 1, 2013

The following shows the assets and liabilities of Water Works District Number 2 (WWD #2) as of December 1, 2012 at their carrying values on that date.

	<u>WWD #2</u>
Current and other assets	\$ 1,621,022
Capital Assets	<u>1,780,328</u>
Total Assets	\$ <u>3,401,350</u>
Other Liabilities	\$ 267,332
Long-Term Liabilities	<u>480,128</u>
Total Liabilities	747,460
Total Net Assets	<u>2,653,890</u>
Total Liabilities and Net Assets	\$ <u>3,401,350</u>

The current and other assets above includes cash totaling \$1,436,888.

Water Works District Number 4 had a note payable of \$480,126 to the Louisiana Highway Department.

Capital Assets had a cost basis of \$3,301,045 with accumulated depreciation of \$1,520,717 resulting in a book value of \$1,780,328.

S U P P L E M E N T A R Y I N F O R M A T I O N

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

SCHEDULE OF CHANGES IN SEWER REVENUE
BOND RESTRICTED FUNDS

November 2013 and 2012

	<u>2013</u>	<u>2012</u>
Beginning Balance	\$ 25,217	\$ 21,122
Additions:		
Transfer from Revenue account	<u>45,037</u>	<u>45,038</u>
Total Cash Available	<u>— 70,254</u>	<u>— 66,160</u>
Disbursements:		
Bond principal paid	8,818	8,441
Bond interest paid	<u>32,125</u>	<u>32,502</u>
Total Disbursements	<u>40,943</u>	<u>40,943</u>
Balance, November 30, Cash with American Gateway Bank	\$ <u>29,311</u>	\$ <u>25,217</u>

The restricted cash account was adequately funded as of November 2013 and 2012.

Interest earned on restricted cash funds is not required to be restricted.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

OPERATING STATISTICS (UNAUDITED)

November 2013 and 2012

SEWER

On November 30, 2013, the sewer system was serving 1,429 customers. Of those customers 1,230 were residential and 95 were commercial.

NATURAL GAS

On November 30, 2013, the natural gas system was serving 4,613 customers as compared to 4,499 on November 30, 2012. The number of customers billed during the current period and other customer data are presented below:

Gas Sales	\$ 3,442,880
MCF's of gas sold	476,340
Total number of customers' billings	54,795
Average number of customers billed per month	4,566
Average monthly revenue per customer	\$ 62.83
Average revenue per MCF billed	\$ 7.23

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

OPERATING STATISTICS (UNAUDITED) - (Cont'd)

November 2013 and 2012

An analysis of gas sales and purchases for the year ended November 30, 2013 is as follows:

	<u>Amount</u>	<u>MCF</u>
Gas sales	\$ 3,442,880	476,340
Gas loss accounted for		4,764
Less gas purchases	<u>1,945,026</u>	<u>479,681</u>
Gross Profit on Gas Sales	\$ <u>1,497,854</u>	
MCF gain unaccounted for in sales		1,423
Percent of Gain		<u>.3%</u>

WATER

The water division of the West Baton Rouge Parish Public Utility was serving 7,582 customers at November 30, 2013 compared to 4,631 at November 30, 2012.

Operations of the Water Division for the current year are reflected in the following statistical data:

	<u>Placid</u>	<u>Chemical Plants</u>	<u>Others</u>
Water sales	\$ 409,013	\$ 183,242	\$1,875,380
M gallons sold	681,689	305,327	966,799
Total number of customers' billings	12	24	90,089
Average number of customers billed per month	1	2	7,507
Average monthly revenue per customer	\$ 34,084	\$ 7,635	\$ 20.82
Average revenue per M gallons	\$.60	\$.60	\$ 1.94

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

SCHEDULE OF CHANGES IN UTILITY PLANT AND EQUIPMENT

For the year ended November 30, 2013

DO NOT USE

	Cost November 30, 2012	Additions and (Transfers)	Deletions	Cost November 30, 2013
Gas distribution system	\$ 4,552,624	\$ 222,056	\$ -0-	\$ 4,774,680
Water distribution system	15,144,269	3,560,933		18,705,202
Sewer System	12,485,455	2,339,198		14,824,680
Utility and sewer equipment	1,050,531	38,760	18,742	1,070,549
Office equipment	222,673	96,603	19,438	299,838
Vehicles	371,741	90,402	69,155	392,988
Buildings	117,390	287,105		404,495
Land	221,850	-0-		221,850
Construction in progress	<u>94,790</u>	<u>-0-</u>	<u>(94,790)</u>	<u>-0-</u>
Totals	<u>\$34,261,323</u>	<u>\$6,635,057</u>		\$40,694,255

Additions and transfers includes the costs of assets transferred from Water Works District Number 2 \$6,311,643. See Note 21

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

PARISH COUNCIL MEMBERS' COMPENSATION (UNAUDITED)

November 30, 2013

The Parish Council has elected the monthly payment method of compensation for its council members. The monthly compensation is \$1,300 for the Council President and \$1,200 for the other council members. The compensation is not paid by the Public Utility, it is paid by the Parish Council on a calendar year basis. The council is audited annually by other auditors.

Compensation for the year ended December 31, 2013:

Gary Spillman, Chairperson	\$ 15,600
Randal Mouch	14,400
Charlene Gordon	14,400
Ricky Loupe	14,400
Phil Porto	14,400
Edward Robertson	14,400
Chris Kershaw	14,400
Naomi Fair	14,400
Barry Huggins	<u>14,400</u>
	° \$ <u>130,800</u>

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

SCHEDULE OF FUNDING PROGRESS OPEB PLAN (UNAUDITED)

November 30, 2013

Actuarial Valutation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b/c)
1/1/12	\$0	\$3,099,000	\$3,099,000	0.00%	\$1,586,430	195.34%
12/1/09	\$0	\$2,418,000	\$2,418,000	0.00%	\$1,329,968	181.81%



CALVIN L. ROBBINS, JR.

CERTIFIED PUBLIC ACCOUNTANT
(A PROFESSIONAL CORPORATION)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Parish President, and the
Chairman and Members of the West
Baton Rouge Parish Council
Port Allen, Louisiana

I have audited, in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities the West Baton Rouge Parish Public Utility (Utility), as of and for the years ended November 30, 2013 and 2012, and the related notes to the financial statements which collectively comprise the Utility's basic financial statements and have issued my report thereon dated May 28, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered West Baton Rouge Parish Public Utility's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the West Baton Rouge Parish Public Utility's internal control. Accordingly, I do not express an opinion on the effectiveness of the Utility's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may

exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I considered to be material weaknesses. However, material weaknesses may exist that were not identified. As described in the accompanying Schedule of Findings and Responses, I did identify certain deficiencies (2013-1 and 2013-2) in internal control that I considered to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the West Baton Rouge Parish Public Utility's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

WEST BATON ROUGE PARISH PUBLIC UTILITY'S RESPONSE TO FINDINGS

The West Baton Rouge Parish Public Utility's managements' responses to the deficiencies identified in my audit are described in the accompanying Schedule of Findings and Responses. I did not audit those responses and accordingly express no opinion on them.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utility's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Utility's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountant
(A Professional Corporation)

May 28, 2014
Baton Rouge, Louisiana

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES

November 30, 2013 and 2012

FINDINGS

2013-1 and 2012-1. An important element in designing an internal accounting control system that safeguards assets and reasonably insures the reliability of the accounting records is the concept of segregation of responsibilities. No one person should be assigned duties that would allow that person to commit an error or perpetrate fraud and to conceal the error or fraud. For example, the same person should not be responsible for any two of the following functions:

- 1) Authorization of a transaction;
- 2) Recording of the transaction; and
- 3) Custody of assets involved in the transaction.

This is a repeat finding.

Entity Response

Due to the small size of the organization, a proper segregation of duties is not possible with respect to cash transactions. Management believes it is not practical or cost effective to correct this weakness. They have taken steps to compensate for this weakness.

2012-3 and 2012-2. The Public Utility does not have employees with sufficient expertise and training to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP). This is a repeat finding.

This is a repeat finding.

Entity Response

The Public Utility's management is aware of this condition, and feels hiring an employee with the requisite qualifications would be cost prohibitive. They feel the most cost effective solution is to have their external auditor assist in preparing year end financial statements in accordance with GAAP.